trivago N.V. reports Q2 2018 results: trivago shifts focus to profitability, sees initial signs of improvement and expects positive results in the second half of 2018

July 25, 2018

Operational Highlights

- We are making improved profitability our focus. To do this, we began making significant reductions in our advertising spend in the second half of the second quarter of 2018. While the reductions in advertising spend began to stabilize our return on advertising spend ("ROAS"), they also resulted in a significant decline in revenue in the second quarter of 2018 as compared to the same period in 2017.
- These reductions are expected to have a positive impact on our profitability in the second half of 2018, and we are already seeing the first signs of improvement.
- We continue to experience lower levels of commercialization as our largest advertisers optimized their spending across regions and appeared to have increased their return on investment targets compared to the same period in 2017.
- Negative impacts from foreign exchange rate effects, in particular due to the relative weakening of the U.S. dollar and certain currencies in the Asia Pacific region to the euro, continue to impact our referral revenues and revenue per qualified referral (RPQR).
- Our advertiser share mix stabilized, remaining consistent during the first half of year 2018.
- We completed the roll out of our attribution model, contributing to increased quality of traffic generated for our advertisers.
- As of June 30, 2018, we offered access to more than 2.5 million hotels and other types of accommodation including over 800,000 units of alternative accommodation, such as vacation rentals and private apartments, in over 190 countries.
- In the first half of 2018, we continued to implement measures aimed at optimizing our platforms and product, with the intention of increasing user retention and booking conversion.

Financial Highlights

- Total revenue decreased to €235.0 million in the second quarter of 2018, representing a decline of 21% year-over-year, compared to €298.3 million in the same period in 2017. Total revenue decreased to €494.4 million in the six months ended June 30, 2018 compared to €565.9 million for the same period in 2017, representing a 13% decline year-over-year.
- The number of Qualified Referrals decreased to 177.1 million in the second quarter of 2018, or by 10%, compared to 196.4 million in the second quarter of 2017. The number of Qualified Referrals slightly decreased to 366.6 million in the six months ended June 30, 2018, compared to 373.6 million for the same period in 2017, or by 2% year-over-year.
- Net loss in the second quarter of 2018 was €20.7 million, compared to a net loss of €3.4 million in the second quarter of 2017. Net loss in the six months ended June 30, 2018 was €42.5 million, compared to net income of €4.3 million for the same period in 2017.
- Adjusted EBITDA[(1)] was a loss of €17.7 million in the second quarter of 2018, compared to a positive Adjusted EBITDA of €3.2 million in the second quarter of 2017. For the six months ended June 30, 2018 Adjusted EBITDA was a loss of €39.6 million, compared to positive Adjusted EBITDA of €22.5 million for the same period in 2017.
- We expect Adjusted EBITDA for the full year 2018 to be between negative €15 million and negative €30 million, with revenue expected to decline.

Rolf Schrömgens, CEO and Founder, "We had to learn and adapt quickly during this challenging quarter, and I believe our business is stronger because of it. We focused heavily on getting back to our core philosophy, concentrating on our product and streamlining our marketing approach in order to improve our ability to drive quality traffic through an improved user experience."

Axel Hefer, CFO, "This quarter we made a shift towards profitability and reduced our losses compared to last quarter. Our mentality since the beginning has been to run the business in a sustainable way, and we believe we are now well positioned to deliver improved financial results in the second half of this year."

Financial Summary & Operating Metrics (€ millions, unless otherwise stated)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	^ Y/Y	2018	2017	^ Y/Y

Total Revenue	235.0	298.3	(21)%	494.4	565.9	(13)%
Qualified Referrals (in millions)	177.1	196.4	(10)%	366.6	373.6	(2)%
Revenue per Qualified Referral (in €)	1.30	1.50	(13)%	1.33	1.50	(11)%
Operating income/(loss)	(26.6)	(3.0)	n.m.	(55.8)	9.5	n.m.
Net income/(loss)	(20.7)	(3.4)	n.m.	(42.5)	4.3	n.m.
Net income/(loss) attributable to trivago N.V.	(20.7)	(2.3)	n.m.	(42.5)	2.9	n.m.
Return on Advertising Spend	110.1%	113.4%	(3.3) ppts	108.9%	116.7%	(7.8) ppts
Adjusted EBITDA[1]	(17.7)	3.2	n.m.	(39.6)	22.5	n.m.

n.m. - not meaningful

[1] "Adjusted EBITDA" (Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization, and Share Based Compensation) is a non-GAAP measure. Please see "Definitions of Non-GAAP Measures" and "Tabular Reconciliations for Non-GAAP Measures" for explanations and reconciliations of non-GAAP measures used throughout this release.

About trivago

trivago is a leading global hotel search platform focused on reshaping the way travelers search for and compare hotels and alternative accommodations. Incorporated in 2005 in Düsseldorf, Germany, the platform allows travelers to make informed decisions by personalizing their hotel search and providing them access to a deep supply of hotel information and prices. trivago enables its advertisers to grow their businesses by providing access to a broad audience of travelers via its websites and apps. As of June 30, 2018, trivago has established 55 localized platforms connected to over two and a half million hotels and alternative accommodations, in over 190 countries.

For more information, trivago's earnings releases and other financial information are available at ir.trivago.com and visit company.trivago.com/press for all corporate news.

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For more details, refer to our Q2 report, which is available on the Securities and Exchange Commission's website (http://www.sec.gov).

Conference Call

trivago N.V. will webcast a conference call to discuss second quarter 2018 financial results and certain forward-looking information on Wednesday, July 25, 2018 at 8:00 a.m. Eastern Time (ET). The webcast will be open to the public and available via http://ir.trivago.com. trivago N.V. expects to provide access to the webcast on the IR website for at least three months subsequent to the initial broadcast.

Notes & Definitions:

Current Ratio: The current ratio is used to measure the company's ability to pay off its short-term liabilities with its current assets and is an important measure of liquidity. The current ratio is calculated by dividing the company's total current assets by the company's total current liabilities.

Referral Revenue: We use the term "referral" to describe each time a visitor to one of our websites or apps clicks on a hotel offer in our search results and is referred to one of our advertisers. We charge our advertisers for each referral on a cost-per-click (CPC) basis.

ROAS: The ratio of our referral revenue to our advertising expenses in a given period, or **return on advertising spend**. We invest in multiple marketing channels, such as: TV; out-of-home advertising; search engine marketing; display advertising campaigns on advertising networks, affiliate websites, social networking sites and email marketing; online video; mobile app marketing and content marketing.

RPQR: We use average **revenue per qualified referral**, to measure how effectively we convert qualified referrals to revenue. RPQR is calculated as referral revenue divided by the total number of qualified referrals in a given period.

QR: We define a **qualified referral** as a unique visitor per day that generates at least one referral. For example, if a single visitor clicks on multiple hotel offers in our search results in a given day, they count as multiple referrals, but as only one qualified referral.

Definitions of Non-GAAP Measures
Adjusted EBITDA:
We define adjusted EBITDA as net income (loss):

1. Less: income/(loss) from equity method investment
2. Plus: expense/(benefit) for income taxes,
3. Plus: total other (income)/expense, net,
4. Plus: depreciation of property and equipment, including amortization of internal use software and website development
5. Plus: amortization of intangible assets, and
6. Plus: share-based compensation

Adjusted EBITDA is a non-GAAP financial measure. A "non-GAAP financial measure" refers to a numerical measure of a company's historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with U.S. GAAP in such company's financial statements. We present this non-GAAP financial measure because it is used by management to evaluate our operating performance, formulate business plans, and make strategic decisions on capital allocation. We also believe that this non-GAAP financial measure provides useful information to investors and others in understanding and evaluating our operating performance and consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods. Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with U.S. GAAP, including net loss. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and
- Other companies, including companies in our own industry, may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The Company is not able to provide a reconciliation of this adjusted EBITDA guidance to net income/(loss), the comparable GAAP measure, because certain items that are excluded from adjusted EBITDA cannot be reasonably predicted or are not in our control. In particular, it is unable to forecast the timing or magnitude of share-based compensation, interest, taxes, depreciation and amortization without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, net income/(loss) in the future.

Tabular Reconciliations for Non-GAAP Measures
Adjusted EBITDA (Adjusted Earnings Before Interest, Taxes, Depreciation & Amortization and Share Based Compensation) (€ millions)

	Three months ended June 30,		**Six months ended June 30,**	
	2018	**2017**	**2018**	**2017**
Net income/(loss)	€ (20.7)	€ (3.4)	€ (42.5)	€ 4.3
Income/(loss) from equity method investment	(0.0)	0.0	(0.0)	0.0
Income/(loss) before equity method investment	**€ (20.7)**	**€ (3.4)**	**€ (42.5)**	**€ 4.3**
Expense/(benefit) for income taxes	(6.6)	0.3	(13.9)	5.0
Income/(loss) before income taxes	**€ (27.3)**	**€ (3.1)**	**€ (56.4)**	**€ 9.3**
Add/(less):				
Interest expense	0.3	0.0	0.3	0.0
Other, net	0.4	0.1	0.3	0.2
Operating income/(loss)	**€ (26.6)**	**€ (3.0)**	**€ (55.8)**	**€ 9.5**
Depreciation	3.1	1.7	5.5	3.2
Amortization of intangible assets	0.4	0.4	0.8	2.4
EBITDA	**€ (23.1)**	**€ (0.9)**	**€ (49.5)**	**€ 15.1**
Share-based compensation	5.4	4.1	9.9	7.4
Adjusted EBITDA	**€ (17.7)**	**€ 3.2**	**€ (39.6)**	**€ 22.5**

Note: Some figures may not add due to rounding.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance. These forward-looking statements are based on management's expectations as of July 25, 2018 and assumptions which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as "intend" and "expect," among others, generally identify forward-looking statements. However, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements and may include statements relating to future revenue, expenses, margins, profitability, net income / (loss), earnings per share and other measures of results of operations and the prospects for future growth of trivago N.V.'s business.

Actual results and the timing and outcome of events may differ materially from those expressed or implied in the forward-looking statements for a variety of reasons, including, among others:

- any reduction in spending or any change in bidding strategy by one or more of our largest advertisers;
- the extent to which our advertisers prioritize profitability over traffic growth;
- our ability to return to a growth trajectory as our business matures;
- our ability to increase advertiser diversity on our market;
- the success of measures we are implementing aimed at maximizing the life-time value of the user, including the "attribution model" with respect to the allocation of performance marketing advertising spend;
- global political and economic instability and other events beyond our control;
- increasing competition and consolidation in our industry;
- our advertiser concentration;
- our ability to maintain and increase our brand awareness;
- our ability to maintain and/or expand relationships with, and develop new relationships with, hotel chains and independent hotels as well as OTAs;
- our reliance on search engines, which may change their algorithms;

- any inaccuracies in, or misinterpretation of, the assumptions and estimates and data we use to make decisions about our business;
- the potential development and impact on us of legal and regulatory proceedings to which we are or may become subject;
- our reliance on technology;
- our ability to establish and maintain an effective system of internal control over financial reporting and avoid any future material weakness;
- our ability to attract, train and retain executives and other qualified employees; and
- our entrepreneurial culture and decentralized decision making;

as well as other risks and uncertainties detailed in our public filings with the SEC, including trivago's annual report on Form 20-F for the year ended December 31, 2017. Except as required by law, we undertake no obligation to update any forward-looking or other statements in this release, whether as a result of new information, future events or otherwise.

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